

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

EPSILON ENERGY USA, INC.,

No. 3:18-cv-01852-RDM

Plaintiff,

Electronically Filed

vs.

CHESAPEAKE APPALACHIA,
L.L.C.,

Defendant.

DECLARATION OF COURTNEY MOAD

I, Courtney Moad, make this statement based on my personal knowledge:

1. I am currently employed as a Staff Landman – Appalachia with Chesapeake Appalachia, L.L.C. (“Chesapeake”). I previously held the Land Technician position with Chesapeake’s Mid-Continent and Appalachia Business Units from 2000 to 2010.
2. I received a Bachelor’s in Business Administration in Marketing from the University of Central Oklahoma in 2004.
3. I received a Certification of Certified Professional Landman from the American Association of Professional Landmen in 2016.
4. Through my employment with Chesapeake, I have become familiar with the Cannella North Unit, the Cannella South Unit, and the Rylee North Unit,

all located in Susquehanna County, Pennsylvania, as well as the applicable Joint Operating Agreements (“JOAs”) for those Units and their respective parties.

5. I am familiar with the wells that Epsilon Energy USA, Inc. (“Epsilon”) proposed on February 8, 2018, known as the Cannella N SUS 3LH Well and the Cannella S SUS 4LH Well (the “Epsilon Wells”). The Epsilon Wells were intended to target the Lower Marcellus Formation, one in the Cannella North Unit and one in the Cannella South Unit.

6. On March 8, 2018, Chesapeake responded to Epsilon’s proposal for the Epsilon Wells. A true and correct copy of Chesapeake’s March 8, 2018 response is attached here as **Exhibit 1**. Chesapeake’s response was modified to indicate that Chesapeake agreed to participate in and operate the Cannella South Unit and the Cannella North Unit and not the Epsilon Wells specifically. See **Exhibit 1** at pp. 4, 7, and 10. The cover letter to Chesapeake’s response makes this clear, stating that Chesapeake “will distribute *our* proposed drilling plans . . .” *Id.* at p. 1 (emphasis added). Chesapeake further communicated its intent not to participate in the Epsilon Wells to Epsilon in subsequent discussions with Epsilon after March 8, 2018.

7. The Epsilon Wells have not been drilled, and neither Epsilon nor any other party to the JOAs has ever re-proposed them.

8. I am also familiar with the wells that Chesapeake proposed on August 15, 2018, known as the Cannella 24HC Well and the Cannella 25HC Well (the

“Allocation Wells”). The Allocation Wells are intended to target the Upper Marcellus Formation in the Cannella South Unit and the Rylee North Unit. A true and correct copy of a map of the Allocation Wells depicting their location in the Cannella South Unit and the Rylee North Unit is attached here as **Exhibit 2**.

9. Chesapeake has working interests in all the leases through which the Allocation Wells will traverse. Epsilon does not have an interest in any of the leases through which the Allocation Wells will traverse.

10. At least one lease that is in both the Cannella South Unit and the Rylee North Unit, the Volk Lease, has a provision which determines unit size based upon production from the Allocation Wells. If the Allocation Wells are not in production by June 15, 2019, then the Cannella South Unit and the Rylee North Unit must be reduced in size. A true and correct copy of the Volk Lease is attached here as **Exhibit 3**.

11. The Allocation Wells would earn an additional 320 acres in the Cannella South Unit and 320 acres in the Rylee North Unit. The Epsilon Wells would only earn an additional 160 acres in the Cannella South Unit, and no additional acres in the Rylee North Unit.

12. If Chesapeake is unable to drill and complete the Allocation Wells by June 15, 2019, which is most likely the case if any preliminary injunction is granted, the Cannella South Unit and the Rylee North Unit must be reduced in size. As a

result, leases will expire in the Rylee North Unit. These lease expirations in the Rylee North Unit are shown on **Exhibit 2**.

13. In addition to Chesapeake's proposal of the Allocation Wells on August 15, 2018, Chesapeake also sent the parties to the JOAs for the Cannella South Unit and the Rylee North Unit an Allocation Consent Agreement (the "Allocation Agreement"), which proposed the method and formula by which the costs and production of the Allocation Wells would be allocated among the parties. This formula is based on the productive length of the wellbore in each unit and does not reduce any party's interest in their respective JOAs.

14. All parties to the JOAs for the Cannella South Unit and the Rylee North Unit have consented to the Allocation Wells, except Epsilon. Chief Exploration & Development LLC ("Chief"), Enerplus Resources (USA) Corporation, Equinor USA Onshore Properties Inc. ("Equinor"), Jamestown Resources L.L.C., Pelican Energy L.L.C., Radler 2000 Limited Partnership ("Radler"), and Tug Hill, Inc. ("Tug Hill") elected to participate in the Allocation Wells. True and correct copies of their signed election letters are attached here as **Exhibit 4**. Further, Chief, Equinor, Radler, Tug Hill and Unconventionals Natural Gas, LLC (who only owns an after-payout interest) executed the Allocation Agreement. True and correct copies of their signed Allocation Agreements are attached here as **Exhibit 5**.

15. With respect to the portion of the Cannella 24HC Well and 25HC Well in the Cannella South Unit, the royalty owners covering 90.5 percent of the unit have signed consent agreements. With respect to the portion of the Cannella 24HC Well and 25HC Well in the Rylee North Unit, the royalty owners covering 67 percent of the unit have signed consent agreements.

I declare under penalty of perjury that the foregoing is true and correct, pursuant to 28 U.S.C. § 1746.

Dated: 10/1/18

Courtney Moad
Courtney Moad